

DIGITAL INNOVATION

IN THE BELGIAN INSURANCE MARKET

INTRODUCTION

The insurance industry is changing, due to technology, market, and regulatory factors. Insurance products, processes, and business models are reshaped by rapid technological advances in big data, cloud computing, and Internet of Things. At the same time, consumers have become accustomed to the convenience, personalization, simplicity, and speed of interacting digitally via social media services and mobile applications offered by players such as Amazon, Airbnb, Facebook, Google and Uber. As a result, consumers increasingly expect insurance companies to offer digital services with compelling user interfaces and experiences. As to regulation, the financial services industry is preparing for the implementation of the General Data Protection Regulation (GDPR; Effective in May 2018), which gives consumers the right to request their personal data to be made portable or completely and securely deleted. In response, leading insurance companies have started deploying an ecosystem perspective, partnering with firms in- and out-side the insurance industry¹.

B2B2C in the Insurance Industry

A common distribution model in insurance is B2B2C, in which consumers are mainly served via intermediaries such as agents, brokers and banks. These intermediaries play an important role for insurers in servicing end consumers. This B2B2C model is the dominant model in the Belgian insurance market - currently 78% of customers in

Belgium are served this way. Most Belgian customers choose their insurance carrier based on the recommendation of the intermediaries, and they have greater loyalty to the intermediaries than to the insurance carriers². For their part, the intermediaries develop a trust-based relationship with their customers, as well as a deep understanding of their needs. The relationships between insurance companies, intermediaries and consumers can thus be described by the linear model in **Figure 1**.

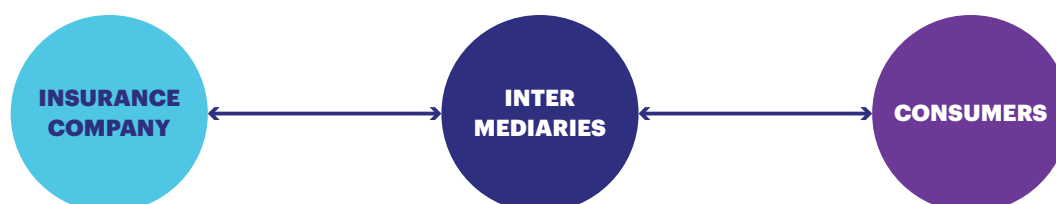


FIGURE 1. THE TRADITIONAL INSURANCE DISTRIBUTION MODEL IN BELGIUM



ACCORDING TO PROFESSOR AMIT BASU,
COX SCHOOL OF BUSINESS, SMU, USA:

“The insurance industry is essentially an information services industry, and therefore highly amenable to digitization of both internal and market-facing processes. The effective use of digital technologies can not only enable restructuring of human resources to provide higher value to the firm and external stakeholders, yielding top-line and bottom-line benefits, but can also refine the value chain to better engage with downstream partners and even consumers.”

In order to examine how insurance firms can leverage digital innovation to better engage with consumers in Belgium, the Consumer Engagement Framework (CEF), developed as part of the Accenture Belux – Vlerick Business School Digital 20/20 Chair, can be used. This framework has two dimensions (see **Figure 2**): the first is the market scope (selling to business or consumer segments), the second refers to the digital innovation scope (process improvement; enhancement of existing products (both goods and services); and introduction of new digital products). Combining the two dimensions, six distinct ways of interacting with consumers and leveraging consumer data can be identified, as presented in a previous Point of View article³.



FIGURE 2. CONSUMER ENGAGEMENT FRAMEWORK (CEF)

6 TYPES OF CONSUMER ENGAGEMENT

BUSINESS TO BUSINESS

1. Process improvement for an existing business product line

Optimize internal operations;
Generate derived demand;
Optimize pricing.

2. Digitally-enhanced business products

Make business products more appealing by introducing information features, information processing, personalization or digital features.

3. Digital business products

Develop and sell information or software applications based on consumer data to business customers.

BUSINESS TO CONSUMER

4. Consumer sales

Leverage digital technology to sell the product online to consumers direct or indirect.

5. Digitally-enhanced consumer products

Enhance the consumer product line by adding information features, information processing, personalization or digital features.

6. Digital consumer products

Develop and sell information or software applications based on consumer data to consumers.

Digital Innovation in B2B Markets

In the B2B level of the CEF, insurers can leverage digital technologies to digitize their processes and products. Rather than using the linear model in Figure 1, insurers can opt for a triangular model, as shown in **Figure 3**, that aligns their interests with those of the intermediaries and the consumers. In fact, insurers can make strategic choices about how to use digital technology in support of the various stakeholders, and include non-traditional parties as well.

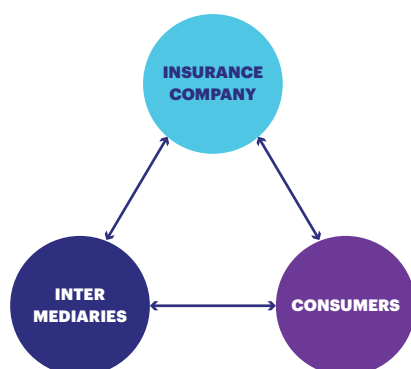


FIGURE 3: A TRIANGULAR MODEL OF INSURANCE DISTRIBUTION

In the remainder of this paper, the CEF is applied to the triangular model, amongst a selection of insurers in the Belgian market. The first level of innovation in the B2B level of the CEF is through process innovation for existing products. At this level, a good example is how AG Insurance has changed its interactions with intermediaries and consumers, aligning all three legs of the triangle. AG Insurance, founded in 1824, is the market leader in Belgium, both in life and non-life insurance, and is part of the international Ageas Group.

AG Insurance's goal is to engage consumers, through more frequent consumer interactions with brokers, at any place or time, via a Phygital approach, blending physical and digital consumer experiences in the distribution model. A recent Accenture study indicated Belgian consumers adopt multichannel journeys, favoring face-to-face contact for obtaining advice, purchasing, file claim handling, and contract termination, while preferring digital means for requesting a quote, receiving updates on personal details and on claims follow-ups.

To support brokers in their digital transformation, AG Insurance launched WeActivate (see **Figure 4**), a program that offers services to support the brokers' physical and digital presence, for which the broker can voluntarily opt-in. This includes the digital generation of physical promotional materials at branches, such as business logos and posters, as well as the design and supply of branded and customized running and cycling gear. AG Insurance also provides training and technical support for brokers to develop their web, social media, and mobile presence. For web presence, AG Insurance provides support for online search and templates for building customized broker websites that support multiple insurance carriers, who are compliant with FSMA regulations⁴. On social media, AG Insurance helps brokers develop campaigns (and provides content) targeting social networks. In the mobile space, AG Insurance has launched Pronto, a mobile app for brokers to engage with consumers, which is again activated by opting-in.

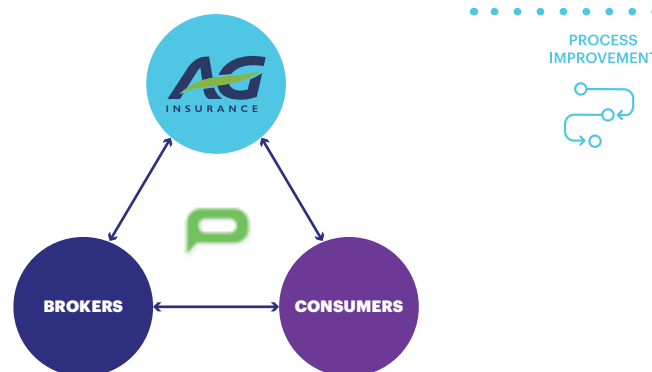


FIGURE 4: DIGITAL PROCESS IMPROVEMENT – AG INSURANCE WEACTIVATE

ACCORDING TO EDLE EVERAERT,
MANAGING DIRECTOR FINANCIAL SERVICES,
ACCENTURE CONSULTING:

“AG Insurance strategically chooses a model that includes the brokers and even reinforces their role. At the same time, AG Insurance integrates the intelligence it has about consumers, derived from its own data. This goes to show that in a digital environment, brokers and the insurer’s digital channels can complement one another!”



In order to engage consumers through the use of digital technologies, AG Insurance also introduced Video Expertise (see **Figure 5**) in January 2017, a convenient mobile service for consumers to submit an insurance claim, in collaboration with SightCall, a video conferencing technology partner. In the case of water or fire damage to their house, consumers can contact a remote expert from AG Insurance through a mobile app on their smartphone to investigate the claim. Through the camera of the consumer's mobile device, the damage can be visualized in real-time and the remote expert can instruct the consumer on what specifically to zoom into, and take control of flash and recording functions. The expert can then provide an estimation of the claim to the consumer on the spot. By integrating this remote expert service in the workflow, the handling time of insurance claims can be shortened from three weeks to as little as a day, significantly benefiting the consumer and the insurer. Moreover, the broker can participate in the video call, or can join the consumer at home, for assistance. Also, the data and images that are gathered can be further leveraged by AG Insurance to improve claim valuation models and reduce fraud.

PROCESS
IMPROVEMENT

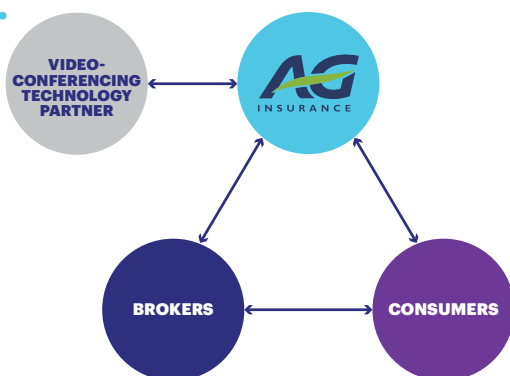


FIGURE 5: DIGITAL PROCESS IMPROVEMENT – AG INSURANCE VIDEO EXPERTISE

The second level of innovation in the B2B level of the CEF is through digital enhancement of product lines. In the Belgian insurance market, AG Insurance introduced several digitally-enhanced services. For instance, “Mobility Assist” is a mobile app that helps consumers who have a car breakdown get a ride home in addition to getting their car towed quickly and effectively, with follow-up claim services from the broker (illustrated in **Figure 6**).

Mobility Assist is based on an ecosystem approach. Once the driver reports the incident

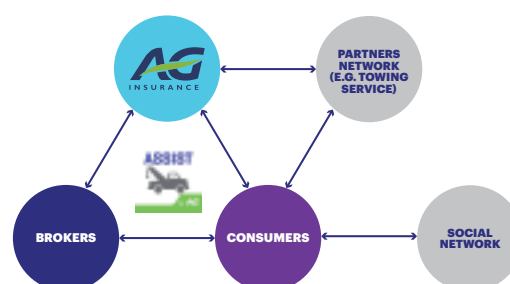


FIGURE 6: DIGITALLY-ENHANCED PRODUCT LINE – AG INSURANCE MOBILITY ASSIST

using the app, the incident location and a detailed vehicle description is recorded and shared promptly with the towing service. At the same time, friends and family can be notified through social media services. Also, the claim processing is started from the app by notifying the broker who can then follow up with claim processing services and inform and reassure the consumer.

As another example, AG Insurance launched a digital hail scanner in June 2017, leveraging partner technology (CSI Technologies) to digitally enhance the service offered to consumers whose cars suffered damage from a hail storm (see **Figure 7**). Such digital scanning operates up to ten times faster than human experts, with higher accuracy. Hence, the claim processing is sped up, benefiting all three parties in the triangle.

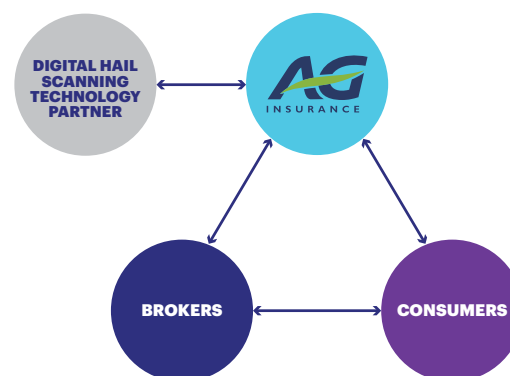


FIGURE 7: DIGITALLY ENHANCED PRODUCT LINE – AG INSURANCE HAIL SCANNER

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DIGITAL
BUSINESS PRODUCT

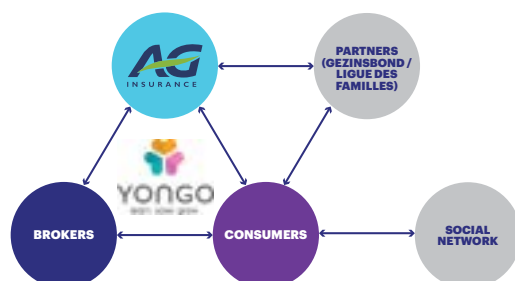


FIGURE 8: NEW DIGITAL PRODUCT – AG INSURANCE YONGO

At the third level of consumer engagement, new digital product lines are introduced to the market. In March 2017, AG Insurance launched Yongo, an online platform for life insurance products that educates children how to handle money and motivates them to save, in partnership with Gezinbond and Ligue des Familles, two family-oriented cooperatives that promote the service to their members (see **Figure 8**). Yongo includes an online, interactive feature that allows parents, family and friends to help children set and achieve short- and long-term financial goals. These products are offered in a customer-friendly, digital form, making them more accessible to consumers (e.g., Yongo Moon, Star, Dreams rather than conventional Branch 21, 23, and 26 type products). Brokers also directly benefit from these products, by promoting and offering them to their own customer bases. Upon subscription, clients can fill in the personal code of their broker allowing them to maintain their relationship.

In August 2017, AG Insurance launched “VIVAY” (see **Figure 9**), an easy-to-use online platform that offers five simple uncommon insurance solutions that protect consumers from certain short-term risks such as the inability to make tuition fee or rent payments. The VIVAY digital platform improves upon conventional Branch 2, 16, and 21 type products, providing consumers and/or their relatives financial stability, in return for a low monthly premium. The lower cost of these digital products makes them financially attractive for both digital and broker-based marketing and sales.

AG Insurance is also leveraging digital channels, through the platform site and social media, to generate consumer demand for these products in a cost efficient way. At the same time, the firm is developing this market for its brokers such that they

ACCORDING TO EDWIN KLAPS, MANAGING DIRECTOR BROKER CHANNEL & NON-LIFE DEVELOPMENT, AG INSURANCE:



“We would love to see the majority of our products being sold through the broker channel. This would once more confirm the significance of the broker channel for distributing our broad range of products and supporting the consumer.”

can also benefit from distributing these products to consumers without having to incur significant marketing expenses. Toward this end, brokers can opt-in to the VIVAY platform and promote it through their website banners, social media outposts, and e-mail newsletters. Then, when a consumer accesses the platform and subscribes to the insurance products through the broker’s referral, the contract is automatically assigned to that broker. If consumers subscribe to the products directly, they can still appoint a broker of their choice, without any fee increase.

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DIGITAL
BUSINESS PRODUCT

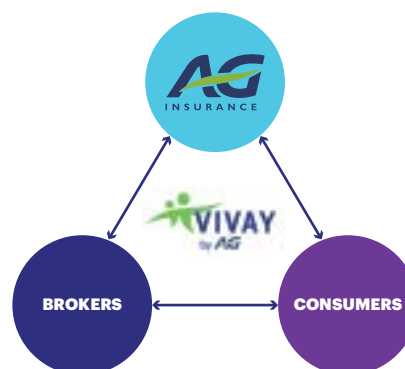


FIGURE 9: NEW DIGITAL PRODUCT – AG INSURANCE VIVAY



ACCORDING TO PROFESSOR STEVE MUYLLE,
VLERICK BUSINESS SCHOOL:

“AG Insurance is pursuing a balanced approach to the triangular model, aligning the interest of all stakeholders. As a next step, it could further leverage consumer data and introduce new data-driven digital products, by developing and selling information or software applications based on consumer data to business customers, in keeping with new data regulations.”

Digital Innovation in B2C Markets

Some insurance companies choose to leverage digital technology to interact with consumers directly. In Belgium, 22% of consumers are currently served this way. The main reasons for adopting this model are value for money and fast customer service⁵.

An example of a direct-only consumer sales model in the Belgian insurance market is that of Corona Direct (see **Figure 10**), which is part of the Belfius Insurance group and serves about 195,000 individual customers⁶. It sells life and non-life insurance products directly online, as well as via “affinity” partners, such as car dealers and undertakers (for funeral insurance). Customers of Corona Direct can interact with one of fifty advisors via the telephone, e-mail or online chat⁷.

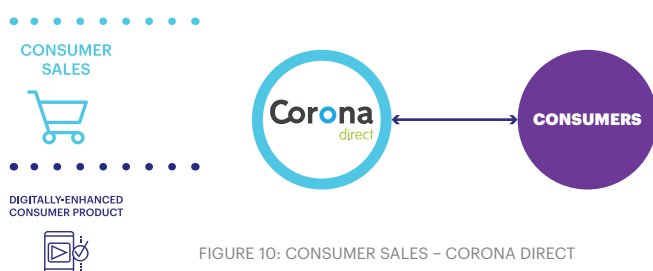


FIGURE 10: CONSUMER SALES – CORONA DIRECT

In addition to direct consumer sales, Corona Direct also digitally enhances its consumer products. It offers a car insurance product in the Belgian market for which the premium is related to the kilometres the customer drives. It is experimenting with linking the premium to the driver's behaviour on the road, as captured through the sensors in

the driver's smartphone when placed in the car. For instance, the acceleration, braking, curving, and speeding of the car would be monitored, as well as the driver's use of the phone (e.g., calls). In return for their participation, drivers would be offered personalized coaching to further improve their driving style, as well as free gasoline, based on a system that rewards safe driving⁸.

New Players: Challengers or Partners

There are also new players on the insurance market. Technology, e-commerce, retail, and manufacturing institutions enter into different segments of the insurance market. Moreover, so-called “InsurTech” or “InsTech” start-ups are upping the ante for the established guard by exploiting technologies such as machine learning and distributed ledger technologies. However, the established insurance companies are valuable partners for these start-ups, as they can leverage their large customer bases and domain expertise⁹.

ACCORDING TO WIM DECRAENE, MANAGING DIRECTOR,
ACCENTURE DIGITAL BELUX:

“InsurTech firms have the choice between challenging the insurance companies or partnering up with them. As new ventures realize that established insurers have a strong market position, they increasingly position themselves as technology providers and partners, rather than challengers.”

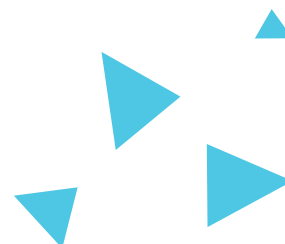


Consider Qover as an example of an InsurTech player in the Belgian market. Qover was founded in January 2016 and has raised 7 million Euro in capital since. It provides both plain vanilla traditional as well as tailor-made (so called ‘sliced’ and ‘on-demand’) non-life insurance products by assembling a library of solutions, from which customers can pick and choose modules, according to their timely needs, to be cancelled at anytime¹⁰. Qover is not an insurance carrier itself yet acts as a managing agent taking care of the development, design, pricing, and distribution of insurance products, and it is currently coverholder at Lloyd's, and has



ACCORDING TO JEAN-CHARLES VELGE, INSURTECH NINJA & CO-FOUNDER AT QOVER:

“The power of Qover is that we build the full insurance solution in house and provide open API’s to partners that can seamlessly integrate the solution in their products and distribute them in their ecosystems in a matter of minutes.”



a strategic partnership with Munich Re. Their first product, Motor GAP, went live in May 2017. It is a voluntary insurance for the difference between the market value of a car, as reimbursed by the traditional car insurance, and the invoice price that was initially paid for the car. While the convenience offered by its insurance solutions is novel, what is truly innovative is how Qover digitizes the insurance value chain, especially in terms of integrating with B2B customers based on Application Programming Interfaces (APIs).

Qover plans to distribute its insurance solutions through traditional and online brokers, but also through new distributors such as car dealers and manufacturers, online resellers of electronic devices (e.g., bol.com), and service providers (See **Figure 11**).

ACCORDING TO WILLEM STANDAERT, LECTURER AND POST-DOCTORAL RESEARCHER, VLERICK BUSINESS SCHOOL:

“While Qover may be considered a small player in the insurance market with currently only one test product in Belgium, such digital ventures can grow their business on steroids – scaling at a rapid pace. The lack of a legacy system is a huge advantage, as their cloud-based, digital infrastructure enables the swift addition of external partners, both in the back-end and front-end, enabling the instant release of new products and services.”

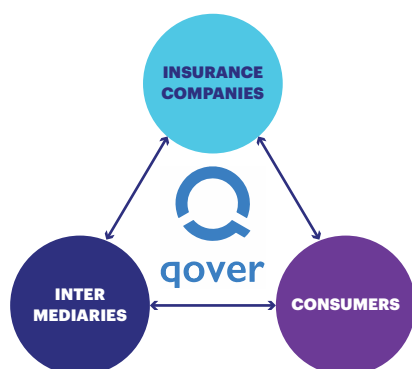


FIGURE 11: INSURTECH – QOVER





Conclusion

The insurance distribution model is at the cusp of digital transformation, with digital interaction increasingly augmenting or substituting for human/physical interaction. Some insurance companies leverage digital technology to interact with consumers directly, while others choose a hybrid model, leveraging the strong local presence and relationship capital of intermediaries, augmented by digital technology. If insurance companies adopt the latter approach, they can view the B2B2C relationship not as a linear, but as a triangular model. Within the triangle, insurers can identify various digital consumer engagement initiatives. At the same time, they can also digitally enhance their offerings via ecosystem partners, at each point of the triangle, as the AG Insurance examples have shown.

For companies that leverage digital technology to serve consumers directly, the consumer engagement framework also provides guidance in identifying initiatives for process improvement, product enhancement, and developing new digital products. New players, especially InsurTech start-ups that enter the market with fully digital offerings, can jockey for position as partners or challengers in the triangular model.

In this article, we have shown how digital technology is leveraged for consumer engagement in the Belgian insurance industry. In the coming years, we will witness which models will play out to become the dominant ones for different types of insurance products and segments.



Notes

1. Accenture Technology Vision for Insurance (2017): "The Era of the Intelligent Insurer."
2. Accenture Market Pulse Survey Belgium 2017.
3. Muyllé, S., Basu, A., Standaert, W., Decraene, W., Debrabander, F., & Praet, S. "How Can B2B Organizations Engage Consumers through the Use of Digital Technology?" Vlerick Business School and Accenture BeLux Digital 20/20 Chair, 2016.
4. The FSMA is responsible for supervising the financial markets and listed companies, authorizing and supervising certain categories of financial institutions, overseeing compliance by financial intermediaries with codes of conduct and supervising the marketing of investment products to the general public (<https://www.fsma.be/en/what-fsma>).
5. Accenture Market Pulse Survey Belgium 2017.
6. Belfius, Annual Report 2016
7. <https://www.coronadirect.be/nl/corona-direct>
8. <https://www.tijd.be/netto/auto/Corona-Direct-werkt-aan-autoverzekering-op-basis-van-rijstijl/9724397>
9. Accenture Research (2017): The Rise of InsurTech."
10. <https://qover.me/#about-us>

CONTACT



Edle Everaert

Managing Director, Financial Services Banking Lead, Accenture
edle.everaert@accenture.com

Edle is a managing director in Accenture's Banking practice, and is the global lead for transaction banking and trade finance. She has 15 years of experience in management consulting in different domains, including growth strategy, online and mobile strategy, product innovation, cost reduction, process and organization redesign, with a strong focus on corporate banking.

Wim Decraene

Managing Director, Strategy, Accenture Digital
wim.decraene@accenture.com

Wim Decraene is Managing Director for Accenture Digital in Belgium and Luxembourg. In this role he covers digital strategy, omni-channel marketing, digital commerce, mobile, IoT, and analytics.



Steve Muylle

Professor of Marketing & Digital Strategy, Vlerick Business School
steve.muylle@vlerick.com

Steve Muylle, PhD, is Full Professor and Partner at Vlerick Business School. He is the Academic Director of the Online MBA program and also directs the Executive Master Class in Business-to-Business Marketing and Sales.

Willem Standaert

Post-Doctoral Research Associate
willem.standaert@vlerick.com

Willem Standaert is Post-Doctoral Research Associate at Vlerick Business School, Belgium.

Amit Basu

Professor Carr P. Collins Chair in MIS
Chairman, ITOM Department
abasu@smu.edu

Amit Basu is the Carr P. Collins Chair of Management Information Sciences at the Edwin L. Cox School of Business at Southern Methodist University in Dallas, Texas.

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